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1981 Housing

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1981 ANNUAL REPORT MONTANA

MONTANA BOARD OF HOUSING

MAR 8 1982

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Message from the Governor



A home is the largest single purchase most families ever make and providing an opportunity for those who otherwise cannot afford a home is the function of the Board of Housing.

Created by the Housing Act of 1975, the Board of Housing has enabled approximately 5,000 low and moderate income persons and families to purchase their own homes. By selling Mortgage Revenue Bonds, the Board offers attractive interest rates for the purchaser to make a solid investment and give the Montana housing industry a shot in the arm.

I commend the Board of Housing on its ability to respond to the housing needs of Montanans and extend my best wishes for success in 1982.



Sincerely,

A handwritten signature in cursive script, reading "Ted Schwinden".

TED SCHWINDEN
Governor

We are pleased to present our fifth Annual Report for the year ending June 30, 1981. Unfortunately, many of the activities of the Board were limited due to cumbersome federal legislation and accelerated interest rates. The single family mortgage purchase program was curtailed for two reasons; the rules and regulations of the Mortgage Subsidy Bond Tax Act of 1980 were not published until July and then interest rates continued to spiral upward making it financially impossible for the Board to enter the credit market. Although the Board has 218 units of Section 8 multifamily rental housing, we have been unable to arrange the necessary financing because of high interest rates. The Board is presently working on alternative financing for these projects and hopefully we will be successful in the coming year.

Letter of Transmittal



Calvin S. Robinson



Dan K. Mizner



Paul A. Johnson



Robert F. James

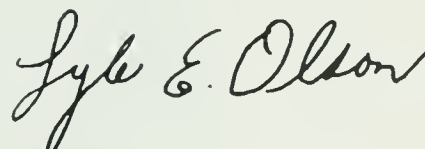
In conjunction with the underwriters, the Board, staff and counsel have structured a single family financing and program documents to once again enter the municipal bond market under the provisions of the Act. Many hurdles have been crossed in discovering alternatives to meet and exceed requirements imposed by the new federal law. Although economic conditions and volatile interest rates during the last year have limited Montana's demand for housing, Montana has a unique economy. While the western part of the state is very depressed due to curtailment of the wood products and related industries, the energy communities of central and eastern Montana are experiencing tremendous growth. These energy-impacted areas need new housing and financial assistance from the Board.

In January, Governor Schwinden appointed four new members to serve on the Board, Mrs. Joan Bennett, Bruce Moerer, Michael Kennedy, Jr. and Tom Battershell. We are looking forward to continued expertise and guidance from these very qualified individuals. We would also like to thank the previous Board members, Bob James, Calvin Robinson, Dan Mizner and Paul Johnson. Your example of dedication and service will remain a monument of achievement to those who follow you in this effort.

We would like to thank the Board and staff who have worked many long hours to carry out the mandate the legislature has given us. Our thanks to Governor Schwinden and his staff for the cooperation and assistance they have given us this past year. We also wish to acknowledge the state legislature who so graciously cooperated with us during the legislative session. And a special thanks to our Congressional Delegation and staff who listened to our problems and worked endless hours to obtain a workable, tax exempt, revenue bond legislation.

Finally we wish to join with the Board and staff to continue to structure bond issues to provide mortgage funds at an affordable rate to worthy low and moderate income persons and families of Montana.


William A. Groff
Chairman


Lyle E. Olson
Administrator

Members of the Board

William A. Groff

Victor, Montana Board Member and Chairman, President and Chairman of the Board of Farmers State Bank, Victor, Montana; former State Director of Department of Revenue, former State Senator, State of Montana



William A. Groff



Thomas Battershell

Thomas Battershell

Helena, Montana Board Member and Vice Chairman, President, Sunrise Construction Company, Helena, Montana

Virginia Jellison

Missoula, Montana, Board Member and Secretary, Executive Director, Missoula Housing Authority, Missoula, Montana



Virginia Jellison



James J. Leary

James J. Leary

Butte, Montana, Board Member, Regional Director, A.F.L.-C.I.O., Retired

Bruce W. Moerer

Chinook, Montana Board Member, Attorney, Sias and Ronstrom, Chinook, Montana, former President, Montana Association of City Attorneys



Bruce W. Moerer

Joan Bennett

Great Falls, Montana, Board Member, Housewife, Commissioner, Great Falls Housing Authority, member of Neighborhood Housing Service (NHS) of Great Falls, Montana



Joan Bennett

Michael J. Kennedy, Jr.

Billings, Montana, Board Member, Printer, Trott Printing Co., City Councilman, member of City Council Planning Board, and Chairman, Plat Review Committee, Billings, Montana



Michael J. Kennedy, Jr.



Staff to the Board



Lyle E. Olson



Linda M. Forrey



Herbert H. George



David A. Kraft

*Lyle Olson testifies before a 1981
Legislative Committee on Senate Bill
91 increasing the bond debt limit of the
Board of Housing.*



Judy R. Gillespie

Lyle E. Olson
Administrator

Linda M. Forrey
Single Family Program Officer

Herbert H. George
Multifamily Program Officer

David A. Kraft
Controller

Judy R. Gillespie
Accountant

Meredith McGuire
Administrative Assistant

Nita M. Routzahn
Executive Secretary



Meredith McGuire
Nita M. Routzahn

Distribution of Multifamily Housing Developments

To date, the Montana Board of Housing has provided financing for the construction of ten projects. In addition to the 560 units of needed housing for Montana residents, the secondary benefits to the local economy has been substantial in providing needed employment for the work force in the communities where the projects are located.

The four projects, for which construction financing was provided in 1980-81, have been completed and the mortgage loans have been assigned to the Government National Mortgage Association (GNMA) pursuant to its commitment for long term mortgage financing. These projects provide



Cedar View — Malta

196 units of housing. The Rose Park Plaza, located in Billings, contains 112 units; the El Dorita Village, located in Kalispell, contains 36 units; the Cedarview, located in Malta, contains 32 units; the Chair III, located in Whitefish, contains 16 units. These units were occupied within 30 days after permission to occupy was granted by DHUD and local authorities.

The three projects to which our 1980 one hundred units of Section 8 "set aside" were allocated are in processing for mortgage insurance commitments at the Denver Regional office of DHUD.

Pursuant to the Board's request for a "set aside" of Section 8 assisted units for fiscal year 1981, the Board was granted 118 units by DHUD. These units have been allocated to three projects and are also in processing status for mortgage insurance commitments at the Denver Regional office of DHUD.

Needless to say, the bond market has presented problems in arranging for the funds with which to finance the 1980-1981 projects. Optimistically, it is anticipated that the bond market will improve to a degree that will enable the Board to market bonds, early in 1982, for financing the six projects now in process.

Cedar View — Malta



The year ending June 30, 1981 produced mixed results for the Montana Board of Housing. The legislature of the State of Montana authorized the Board an additional \$300 million in bonding authority, bringing the Board's total authority to \$675 million. However, difficult economic conditions coupled with restrictive federal legislation precluded the Board from issuing any new bonds or notes during the year. During the year, the Board did purchase approximately \$51.5 million in single family mortgages and \$6.7 million in multifamily mortgages and construction advances with the proceeds of bonds issued during the prior year.

The general increase in interest rates experienced by the economy during the year resulted in a condition where mortgage prepayments as actually experienced by the Board fell short of those originally anticipated. However, cash flows prepared for the single family mortgage program funds at June 30, 1981 indicate that these funds will be able to meet scheduled debt retirement even if no further prepayments are received.



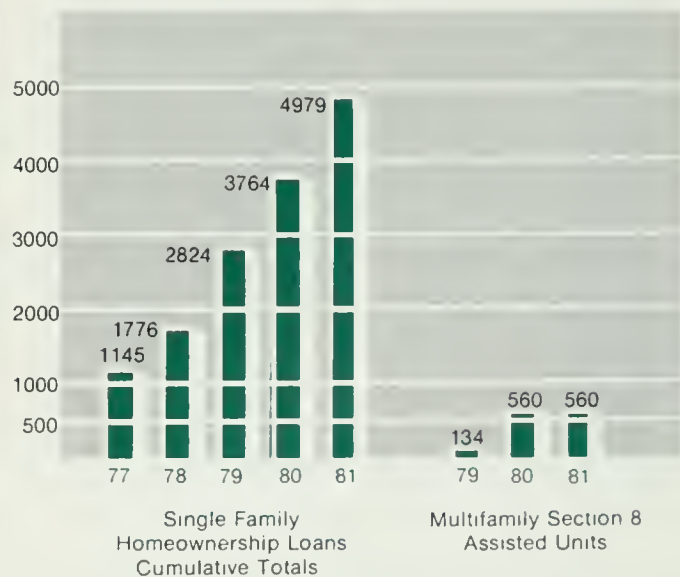
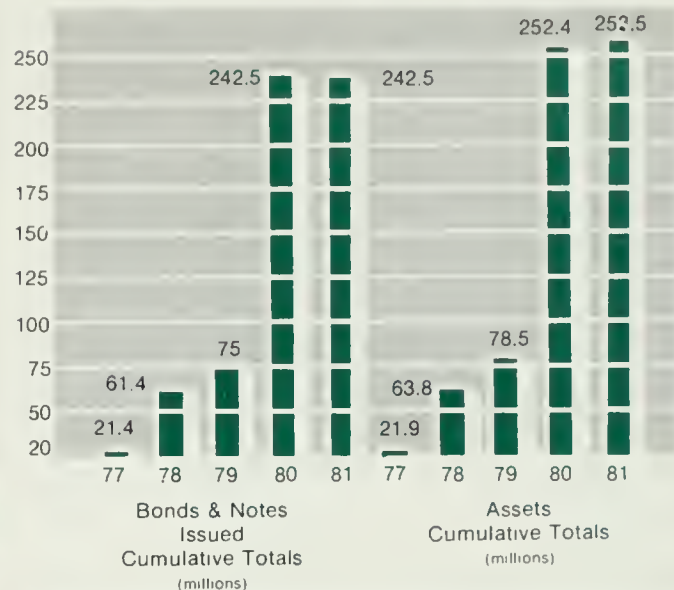
Oakwood Village — Havre



With respect to the various funds of the Montana Board of Housing:

- a) Single Family I Mortgage Program Funds are now mature in the sense that substantially all proceeds have been invested in mortgages for two years. Total assets of this indenture at June 30, 1981 was approximately \$72.6 million and revenues over expenses for the year then ended was \$1.3 million. Approximately \$1.9 million in scheduled bond principal was retired during the year.
- b) During 1981, the Single Family II Mortgage Program completed its investment of original bond proceeds in mortgages. Total assets at June 30, 1981 was approximately \$156.6 million and revenues over expenditures for the year then ended was \$3.3 million. \$880,000 in scheduled bond principal was retired during the year.
- c) Approximately \$1.0 million was advanced by the Multifamily Mortgage Program Funds on four projects. Total assets at June 30, 1981 was approximately \$14.9 million and revenues over expenses for the year then ended was approximately \$250,000. An aggregate of \$55,000 in bond principal was retired during the year.

1981 in Review



- d) The Construction Loan Note Program Fund advanced approximately \$5.7 million on four projects during the year. Shortly after June 30, 1981, permanent financing on two of the projects had been completed. Total assets at June 30, 1981 was approximately \$9.3 million and revenues over expenses was approximately \$267,000. The Board was not required to retire any note principal during the year.

Qualified and/or Participating Lenders

ANACONDA
First National Bank
First Security Bank

BAKER
Montana Bank of Baker
The Bank of Baker

BELGRADE
Montana Bank

BIG TIMBER
Citizens Bank & Trust Co.
First Security Bank

BILLINGS
First Bank Billings
First Bank West
First Citizens Bank
First Federal Savings & Loan
First Northwestern National Bank
Pioneer Bank
Rimrock Bank
Security Bank
Security Federal Savings & Loan
Valley Credit Union
Western Bank

BOULDER
First Boulder Valley Bank

BOZEMAN
First Bank
First Security Bank
Montana Bank

BROADUS
Powder River County Bank

BUTTE
First Citizens Bank
First Bank
First National Bank
Miners Bank of Montana
Montana Bank of Butte
Prudential Federal Savings & Loan

CHINOOK
Blaine Bank of Montana
Western Bank of Chinook

CHOTEAU
The Citizens State Bank

CIRCLE
Montana Bank of Circle

COLSTRIP
Security Bank

COLUMBIA FALLS
Bank of Columbia Falls
Glacier National Bank

CUT BANK
First Interstate Bank of Glacier County
First National Bank

DEER LODGE
Deer Lodge Bank & Trust
Pioneer Federal Savings & Loan

DILLON
First Northwestern National
State Bank & Trust Co

ENNIS
First Madison Valley Bank

FORSYTH
First State Bank

GLASGOW
First National Bank
First Security Bank

GLENDALE
First Fidelity Bank
First National Bank
First Security Bank

GREAT FALLS
Central Bank of Montana
Eastside Bank of Montana
Fidelity Savings & Loan
First Federal Savings & Loan
First Interstate Bank
First Bank
First Bank West
Great Falls Federal Savings & Loan
Northwestern National Bank
Village Bank

HAMILTON
Citizens State Bank
Ravalli County Bank

HARDIN
Big Horn Bank
Little Horn State Bank

HARLEM
Security State Bank

HARLOWTON
Continental National Bank

HAVRE
Citizens Bank
First National Bank
First Security Bank
Havre Federal Savings & Loan

HELENA
American Federal Savings & Loan
Bank of Montana
First Bank Helena
Home Federal Savings & Loan
Northwestern Bank
Valley Bank of Helena

JORDAN
Garfield County Bank

KALISPELL
First Federal Savings & Loan
First Interstate Bank of Kalispell
First Northwestern National Bank
First Security Bank
Montana Savings & Loan
Valley Bank of Kalispell

LAUREL
First Security Bank

LEWISTOWN
First National Bank
Northwestern Bank

LIBBY
First National Bank
United National Bank

LIVINGSTON
Empire Federal Savings & Loan
First National Park Bank
First Security Bank

MILES CITY
First Citizens Bank
First National Bank
First Security Bank

MISSOULA
First Bank Southside
First Bank Western
First Federal Savings & Loan
First National Montana Bank
First Security Bank
Missoula Bank of Montana
Western Federal Savings & Loan

POLSON
First Citizens Bank
Security State Bank

RONAN
Ronan State Bank

ROUNDUP
Montana Bank of Roundup

ST. IGNATIUS
Lake County Bank

SIDNEY
First United Bank
Montana Bank of Sidney
Richland National Bank

STEVENSVILLE
First State Bank

SUPERIOR
Montana Bank of Mineral County

TOWNSEND
State Bank of Townsend

VICTOR
Farmers State Bank

WHITE SULPHUR SPRINGS
First National Bank

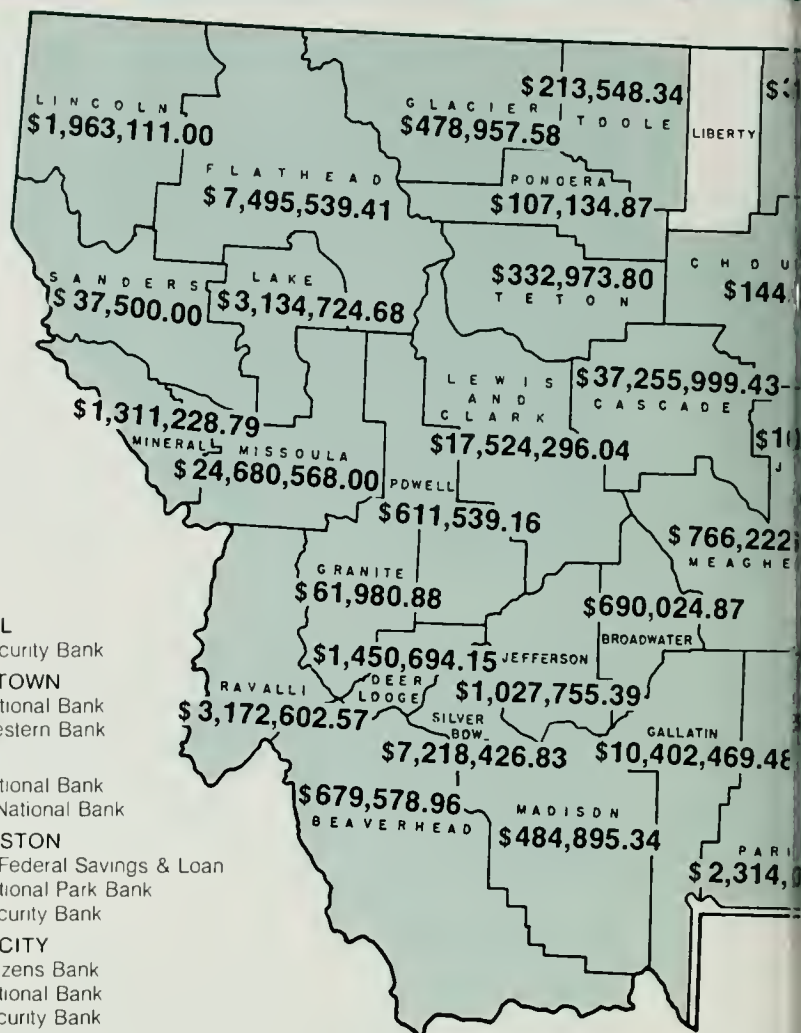
WHITEFISH
Mountain Bank

WHITEHALL
Whitehall State Bank

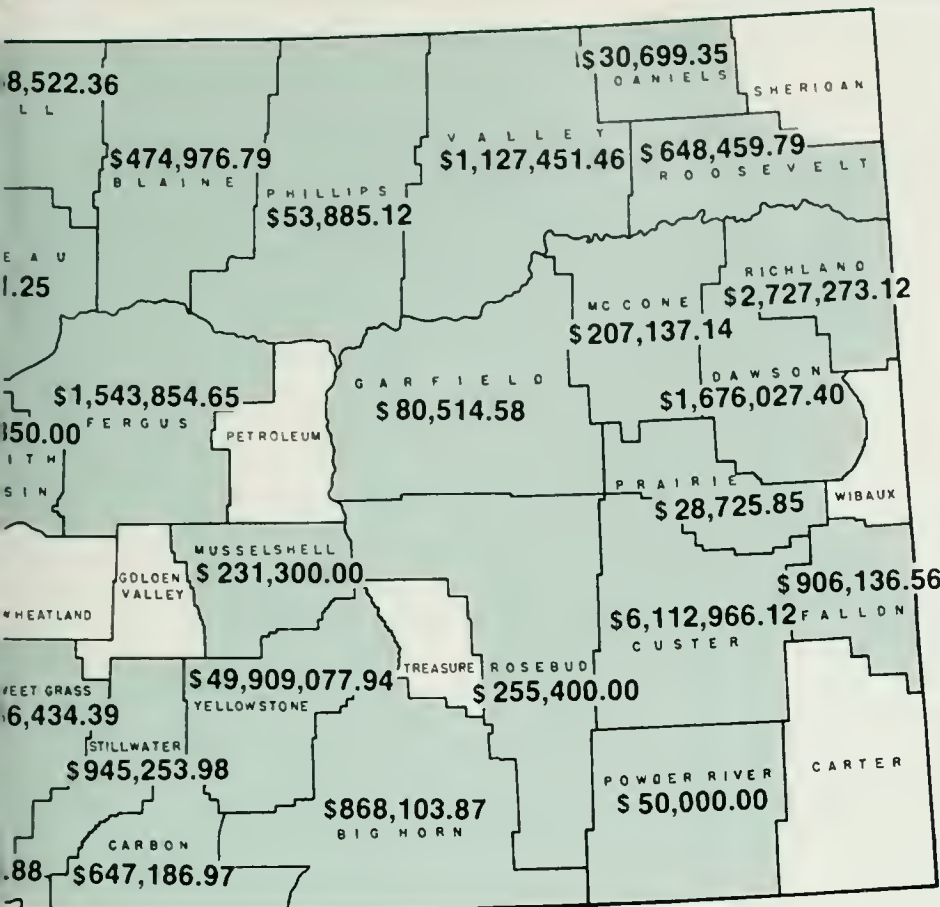
WIBAUX
First National Bank

WOLF POINT
Citizens First National Bank
Western National Bank

MORTGAGE COMPANIES
Bancshares Mortgage
Charter First Mortgage Corp
Commerce Mortgage
Guaranty Company
Lomas & Nettleton
Mellon Mortgage Inc. — West
Rainier Mortgage Company
SIMCO Mortgage Company
Streeter Brothers Mortgage Company
Utah Mortgage Loan Corporation
Victorio Mortgage Company
Washington Mortgage Company, Inc.
Westland Mortgage Company



Mortgage Loans Purchased Per City



STATE TOTAL — \$195,460,373.85

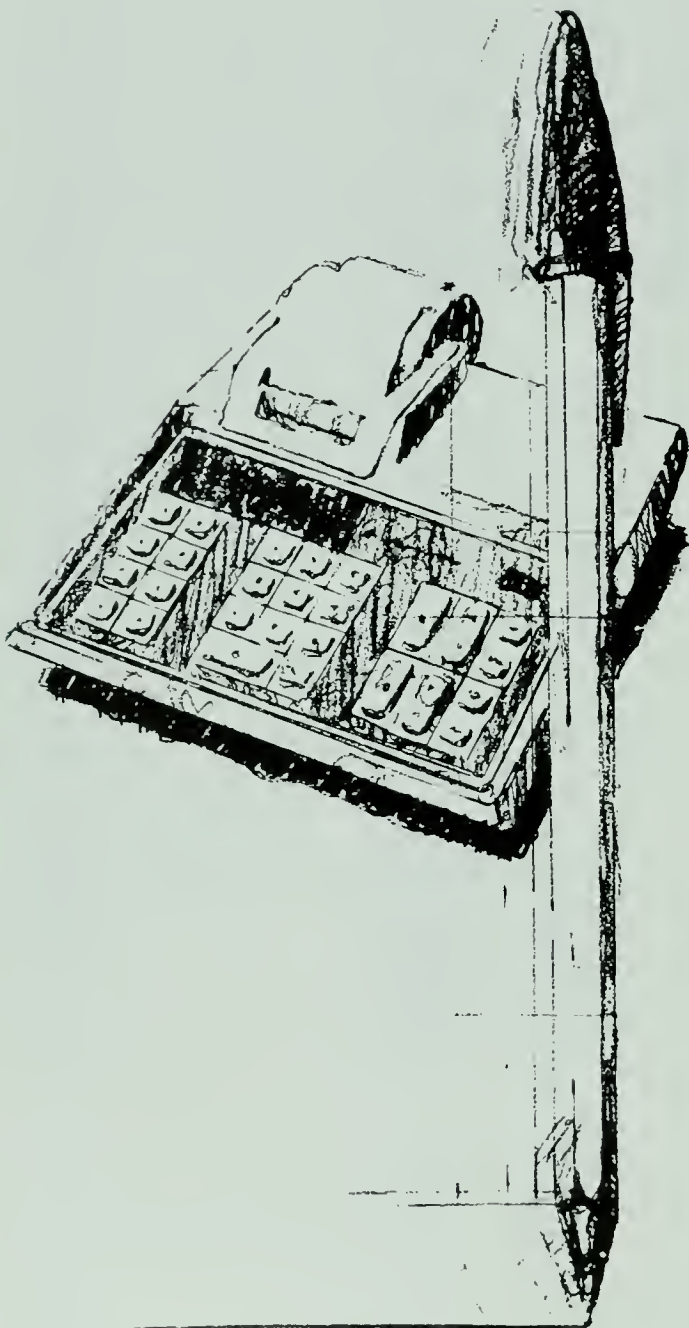
MORTGAGE LOANS 6/30/81

	Total
Absarokee	\$ 149,650 00
Alberton	250,879 62
Anaconda	1,450,694 15
Baker	906,136 56
Belgrade	3,695,728 05
Belt	318,249 88
Big Sandy	61,133 48
Big Sky	47,882 50
Big Timber	56,434 39
Bigfork	181,787 81
Billings	46,935,147 86
Black Eagle	240,399 25
Bonner	136,137 29
Boulder	132,779 02
Bozeman	6,068,431 15
Bridger	93,400 00
Broadus	50,000 00
Broadview	39,900 00
Butte	7,158,426 83
Cascade	112,944 33
Charlo	124,983 63
Chinook	438,169 27
Choteau	45,000 00
Churchill	29,500 00
Circle	207,137 14
Clancy	687,472 44
Clinton	136,900 38
Colstrip	49,000 00
Columbia Falls	1,694,889 09
Columbus	306 600 00
Conrad	107,134 87
Corvallis	171,167 98
Culbertson	66,579 20

Cut Bank	457,163 03
Deer Lodge	576,439 98
Dillon	679,578 96
Dutton	61,900 00
East Glacier	21,794 65
East Helena	2,780,231 01
East Missoula	257,300 00
Edgar	46,000 00
Elliston	35,099 18
Ennis	374,400 00
Eureka	57,276 58
Fairfield	176,073 80
Fairview	271,980 92
Fallon	28,725 85
Florence	518,455 21
Forsyth	206,400 00
Fort Benton	83,227 77
Fort Smith	44,405 18
Frenchtown	164,417 81
Froid	22,284 13
Gallatin Gateway	41,000 00
Gardiner	38,439 67
Glasgow	1,016,050 72
Glendive	1,676,027 40
Great Falls	36,233,715 65
Hamilton	581,395 26
Hardin	823,698 69
Harlem	36,807 52
Havre	3,158,522 36
Helena	14 710,189 15
Hobson	37,350 00
Hungry Horse	56,433 29
Huntley	103,500 00
Huson	185,722 13
Joliet	133,471 11

Jordan	80,514 58
Kalispell	4 929 312 39
Kila	40 000 00
Laurel	2 490,195 19
Lewistown	1,508,692 64
Libby	1 766,813 56
Lincoln	33 875 88
Livingston	2,257 763 14
Lolo	2,229 927 91
Malta	53 885 12
Manhattan	378 418 96
Miles City	6,112 966 12
Missoula	21,470,162 48
Montana City	43,326 91
Moore	10,976 06
Nashua	81 400 74
Opheim	30,000 00
Pablo	236,702 05
Park City	489,003 98
Philipsburg	61,980 88
Polson	2,287,171 57
Power	50,000 00
Proctor	45,000 00
Radersburg	28,338 97
Ramsey	60,000 00
Red Lodge	280,315 86
Roberts	54,000 00
Ronan	333,906 28
Roundup	231,300 00
Roy	24 185 95
Savage	27,000 00
Scobey	30,699 35
Seeley Lake	100,000 00
Shelby	213,548 34
Shepherd	253,234 89
Sheridan	30,527 09
Sidney	2,428,292 20
Silesia	40,000 00
Simms	61,500 00
Somers	32,800 00
St. Ignatius	71,987 40
St. Regis	159,841 86
Stanford	123,000 00
Stevensville	1,767 448 36
Superior	900,507 31
Swan Lake	34 973 75
Thompson Falls	37 500 00
Three Forks	99 508 82
Townsend	641,700 01
Tracy	30,000 00
Troy	139 020 86
Ulm	38 500 01
Vaughn	220 690 31
Victor	134 135 76
Virginia City	79,968 25
West Yellowstone	42 000 00
White Sulphur Springs	766,222 61
Whitefish	560 316 83
Whitehall	164 177 02
Wilsall	18 300 07
Winston	19 985 89
Wolf Point	559 596 46
Worden	87 100 00
Grand Total	\$195 460,373 85

Accountant's Report



MONTANA BOARD OF HOUSING:

We have examined the accompanying individual and combined balance sheets of the various funds of the Montana Board of Housing as of June 30, 1981 and the combined balance sheet as of June 30, 1980, and the related statements of revenues, expenses and changes in fund balances, and changes in financial position for the year ended June 30, 1981 with respect to all funds; the year ended June 30, 1980 with respect to Single Family I Mortgage Program Funds and Multifamily Mortgage Program Funds; the period September 1, 1979 (date of inception) to June 30, 1980 with respect to Single Family II Mortgage Program Funds, and the period April 29, 1980 (date of inception) to June 30, 1980 with respect to Construction Loan Note Program Funds. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements mentioned above present fairly the financial position of the various funds of the Montana Board of Housing at June 30, 1981 and 1980, and the results of their operations and changes in their financial position for the periods then ended in conformity with generally accepted accounting principles applied on a consistent basis.

Anderson Zurmuehlen & Co

Helena, Montana
August 5, 1981

ANDERSON ZURMUEHLEN & CO.

	JUNE 30, 1981				JUNE 30, 1980	
	Single Family I Mortgage Program Funds	Single Family II Mortgage Program Funds	Multifamily Mortgage Program Funds	Construction Loan Note Program Funds	Combined Total	Combined Total
ASSETS						
Cash and investments (Notes 3 and 7)	\$11,584,491	\$ 24,450,713	\$ 2,775,374	\$3,538,672	\$ 42,349,250	\$96,084,518
Construction mortgage loans			2,253,577	5,688,151	7,941,728	6,065,370
Permanent mortgage loans	58,975,766	128,246,595	9,401,707		196,624,068	143,366,857
Interest receivable:						
Investments	376,049	305,957	101,605	69,391	853,002	1,392,315
Mortgages and con- struction loans	392,307	989,310	75,843	50,890	1,508,350	1,007,507
Interfund receivable (payable)	73,202	41,228	(67,723)	(46,707)		
Deferred issuance costs, net	1,145,740	2,596,208	367,114	72,601	4,181,663	4,494,034
Other assets	5,003				5,003	
Total Assets	<u>\$72,552,558</u>	<u>\$156,630,011</u>	<u>\$14,907,497</u>	<u>\$9,372,998</u>	<u>\$253,463,064</u>	<u>\$252,410,601</u>

LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Bonds payable, net (Note 5)	\$66,497,989	\$149,068,435	\$13,554,748	\$	\$229,121,172	\$232,261,052
Notes payable (Note 6)				8,940,000	8,940,000	8,940,000
Interest payable	940,747	862,482	365,420	126,779	2,295,428	2,698,991
Deferred fee income						528,571
Accounts payable	22,461	15,203		8,263	45,927	117,562
Total liabilities	<u>67,461,197</u>	<u>149,946,120</u>	<u>13,920,168</u>	<u>9,075,042</u>	<u>240,402,527</u>	<u>244,546,176</u>
FUND BALANCES:						
Unappropriated	821,423	6,683,891	987,329	297,956	8,790,599	4,086,274
Appropriated	4,269,938				4,269,938	3,778,151
Total fund balances	<u>5,091,361</u>	<u>6,683,891</u>	<u>987,329</u>	<u>297,956</u>	<u>13,060,537</u>	<u>7,864,425</u>
Total Liabilities and Fund Balances	<u>\$72,552,558</u>	<u>\$156,630,011</u>	<u>\$14,907,497</u>	<u>\$9,372,998</u>	<u>\$253,463,064</u>	<u>\$252,410,601</u>
The Notes to Financial Statements are an integral part of these statements.						

For the Years Ended June 30, 1981 and 1980 With Respect to the Single Family I Mortgage Program Funds; For the Year Ended June 30, 1981 and the Period September 1, 1979 (Date of Inception) to June 30, 1980 With Respect to the Single Family II Mortgage Program Funds; For the Years Ended June 30, 1981 and 1980 With Respect to the Multifamily Mortgage Program Funds; For the Year Ended June 30, 1981 and the Period April 29, 1980 (Date of Inception) to June 30, 1980 With Respect to the Construction Loan Note Program Funds

Statements of Revenues, Expenses and Changes in Fund Balances

	JUNE 30, 1981				JUNE 30, 1980	
	Single Family I Mortgage Program Funds	Single Family II Mortgage Program Funds	Multifamily Mortgage Program Funds	Construction Loan Note Program Funds	Combined Total	Combined Total
REVENUES						
Interest income on construction and permanent mortgage loans	\$4,195,085	\$9,291,419	\$ 877,295	\$ 304,974	\$14,668,773	\$7,475,016
Fee income	7,518	536,787	5,002		549,307	910,506
Income (interest, gains and losses, net) on investments	1,117,048	4,595,118	326,981	825,765	6,864,912	7,762,652
Total revenues	5,319,651	14,423,324	1,209,278	1,130,739	22,082,992	16,148,174
EXPENSES						
Interest	3,606,005	10,315,793	873,279	728,610	15,523,687	9,989,950
Servicer fees	221,713	402,109	8,583		632,405	329,882
Amortization of deferred financing costs	67,398	150,228	10,106	87,966	315,698	173,370
General and administrative	111,325	189,335	67,723	46,707	415,090	297,726
Total expenses	4,006,441	11,057,465	959,691	863,283	16,886,880	10,790,928
Revenues over expenses before unrealized loss on investments	1,313,210	3,365,859	249,587	267,456	5,196,112	5,357,246
Unrealized loss on investments (Note 7)						(225,814)
Revenues over expenses ...	1,313,210	3,365,859	249,587	267,456	5,196,112	5,131,432
Unappropriated fund balances, beginning of period		3,318,032	737,742	30,500	4,086,274	277,794
Transfer to appropriated fund balance	(491,787)				(491,787)	(1,322,952)
Unappropriated fund balances, end of period	821,423	6,683,891	987,329	297,956	8,790,599	4,086,274
Appropriated fund balances, beginning of period (Note 2)	3,778,151				3,778,151	2,455,199
Transfer from unappropriated fund balances ...	491,787				491,787	1,322,952
Appropriated fund balances, end of period	4,269,938				4,269,938	3,778,151
Total fund balances ...	\$5,091,361	\$6,683,891	\$987,329	\$297,956	\$13,060,537	\$7,864,425

The Notes to Financial Statements are an integral part of these statements.

For the Years Ended June 30, 1981 and 1980 With Respect to the Single Family I Mortgage Program Funds; For the Year Ended June 30, 1981 and the Period September 1, 1979 (Date of Inception) to June 30, 1980 With Respect to the Single Family II Mortgage Program Funds; For the Years Ended June 30, 1981 and 1980 With Respect to the Multifamily Mortgage Program Funds; For the Year Ended June 30, 1981 and the Period April 29, 1980 (Date of Inception) to June 30, 1980 With Respect to the Construction Loan Note Program Funds

mbh

Statements of Changes in Financial Position

	JUNE 30, 1981				JUNE 30, 1980	
	Single Family I Mortgage Program Funds	Single Family II Mortgage Program Funds	Multifamily Mortgage Program Funds	Construction Loan Note Program Funds	Combined Total	Combined Total
SOURCES						
From operations:						
Revenues over expenses	\$ 1,313,210	\$ 3,365,859	\$ 249,587	\$ 267,456	\$ 5,196,112	\$ 5,131,432
Amortization of bond pre- miums, discounts and issuance costs, net	(125,174)	75,136	7,890	87,966	45,818	(103,353)
Changes in accounts:						
Interest receivable:						
Investments	(103,663)	632,492	(71,867)	82,351	539,313	(1,001,235)
Mortgages and con- struction loans	(4,429)	(478,474)	32,950	(50,890)	(500,843)	(608,963)
Interfund (receivable) payable	75,684	(158,131)	42,482	39,965	(71,635)	(30,260)
Accounts payable	2,480	(74,115)			(403,563)	1,567,536
Interest payable	(38,700)	(365,329)	(553)	1,019	(528,571)	526,954
Deferred fee income		(528,571)				
Cash and investments provided by operations	1,119,408	2,468,867	260,489	427,867	4,276,631	5,482,111
Mortgage loan principal payments:						
Scheduled	751,118	943,472	33,031		1,727,621	1,017,968
Prepaid	541,078	752,602			1,293,680	1,649,974
Net proceeds from bond and note sales						167,636,044
Total	2,411,604	4,164,941	293,520	427,867	7,297,932	175,786,097
USES						
Repayments of bonds payable	1,935,000	880,000	55,000		2,870,000	1,365,000
Purchase of mortgage loans	510,738	50,941,066	1,014,916	5,688,151	58,154,871	89,133,232
Payments of issuance costs and purchase of other assets	5,003	789		2,537	8,329	3,166,804
Total	2,450,741	51,821,855	1,069,916	5,690,688	61,033,200	93,665,036
Increase (decrease) in cash and investments....	(39,137)	(47,656,914)	(776,396)	(5,262,821)	(53,735,268)	82,121,061
Cash and investments, beginning of period	11,623,628	72,107,627	3,551,770	8,801,493	96,084,518	13,963,457
Cash and investments, end of period	\$11,584,491	\$24,450,713	\$2,775,374	\$3,538,672	\$42,349,250	\$96,084,518

The Notes to Financial Statements are an integral part of these statements.

Notes to Financial Statement

1. Authorizing Legislation and Funds:

AUTHORIZING LEGISLATION:

The Montana Board of Housing is a quasi-judicial board created in 1975 by the Legislative Assembly of the State of Montana to facilitate the availability of housing to persons of low and moderate income. The Board is authorized to issue negotiable notes and bonds to fulfill its purposes up to an aggregate amount of \$675,000,000. Neither the faith and credit nor taxing power of the State of Montana may be pledged to the payment of amounts so issued.

SINGLE FAMILY I MORTGAGE PROGRAM FUNDS:

These funds, established under a trust indenture adopted March 10, 1977, and amended July 28, 1977 and June 13, 1978, are prescribed for accounting for the proceeds from the sale of Single Family Mortgage Bonds and the debt service requirements of the bond indebtedness. Activities of these funds are, in general, limited to the purchase of mortgage loans secured by eligible mortgages on single family residential housing made to finance the ownership of such single family residential housing. The mortgage loans must be insured by the Federal Housing Administration or guaranteed by the Veterans Administration.

SINGLE FAMILY II MORTGAGE PROGRAM FUNDS:

These funds, established under a trust indenture adopted August 16, 1979, are prescribed for accounting for the proceeds from the sale of Single Family Mortgage Bonds and the debt service requirements of the bond indebtedness. Activities of these funds are, in general, limited to the purchase of mortgage loans secured by eligible mortgages on single family residential housing made to finance the ownership of such single family residential housing. The mortgage loans must be insured by the Federal Housing Administration or guaranteed by the Veterans Administration.

MULTIFAMILY MORTGAGE PROGRAM FUNDS:

These funds, established under a trust indenture adopted February 23, 1978 and amended June 26, 1979, are prescribed for accounting for the proceeds from the sale of Multifamily Mortgage Bonds, the debt service requirements of the bond indebtedness, and for the construction and permanent mortgage loan on the multifamily developments being financed from the bond proceeds. The mortgage loans must be insured by the Federal Housing Administration.

CONSTRUCTION LOAN NOTE PROGRAM FUNDS:

These funds, established under a trust indenture adopted April 16, 1980, are prescribed for accounting for the proceeds from the sale of Multifamily Construction Loan Notes, the debt service requirements of the note indebtedness, and for the construction loan on the multifamily developments being financed from the note proceeds. Mortgage bankers must obtain a commitment from the Government National Mortgage Association to purchase each construction loan after final endorsement for permanent mortgage insurance by the FHA.

2. Summary of Significant Accounting Policies:

COMBINED TOTALS:

The combined total column includes the accounts of the various bond resolutions. Assets are restricted and are not available for any other purpose other than as provided for under the respective bond resolution.

BASIS OF ACCOUNTING:

The Board follows the accrual basis of accounting.

MORTGAGES AND INVESTMENTS:

Permanent mortgage loans are recorded as amounts disbursed and are carried at their uncollected principal balances. Temporary investments are carried at the lower of amortized cost or market. Long-term investments (investments intended to be held to maturity) are carried at amortized cost.

PROVISION FOR POSSIBLE LOAN LOSSES:

A provision for possible loan losses will be made through charges against operations based on a periodic evaluation of the loan portfolio. Actual losses that occur will be charged against such valuation reserves. No provisions were considered necessary at June 30, 1981 and 1980.

FEE INCOME:

Fees collected as reimbursement for costs incurred in developing and implementing the programs of the Board and for other specific services are recorded as income in the period received. Commitment fees collected in connection with single family mortgages are deferred and recorded ratably as income over the respective commitment period.

DEFERRED FINANCING COSTS:

Issuance costs on bonds are amortized, using the bonds outstanding method, over the life of the bonds. Premiums and discounts on bonds are amortized, using the interest method, over the life of the bonds to which they relate.

APPROPRIATION OF FUND BALANCES:

The Board has authorized an appropriation of the Single Family I Mortgage Program Fund balance in an amount necessary to meet the Interest Requirement and the Principal Requirement as specified by the applicable trust indenture.

INTEREST RECEIVABLE — MORTGAGES:

Interest is accrued based upon the amount of outstanding mortgage principal. No interest is accrued or income recognized on mortgages more than six months in arrears or under foreclosure.

3. Restricted Assets:

Portions of cash and investments are restricted to uses specified by applicable bond resolutions. Amounts are restricted as follows:

	Single Family I Mortgage Program Funds	Single Family II Mortgage Program Funds	Multifamily Mortgage Program Funds
	June 30, 1981		
Debt service reserve	\$5,840,000	\$15,190,000	\$1,000,000
Mortgage reserve	634,500	1,308,690	241,760
	<u>\$6,474,500</u>	<u>\$16,498,690</u>	<u>\$1,241,760</u>
	June 30, 1980		
Debt service reserve	\$5,840,000	\$15,190,000	\$1,000,000
Mortgage reserve	634,500	1,338,500	241,760
	<u>\$6,474,500</u>	<u>\$16,528,500</u>	<u>\$1,241,760</u>

Cash or investments on hand at June 30, 1981 and 1980 met or exceeded the requirements.

4. Administrative and Other Operating Costs:

For the years ended June 30, 1981 and 1980, the Board was attached, for administrative purposes, to the Department of Administration, had a separate budget and used its own funds for administrative and other operating costs.

5. Bonds Payable, Net:

Single Family I Mortgage Bonds:

	June 30,	
	1981	1980
1977 Series A, 4.5% to 8% interest, maturing in scheduled annual installments from October 1, 1980 to October 1, 1992 and on October 1, 2008, subject to mandatory sinking fund requirements of scheduled amounts commencing in 1993 and to optional redemption after various dates at prices ranging from 100 to 103	\$20,155,000	\$20,795,000
1977 Series B, 4 1/8% to 8% interest, maturing in scheduled annual installments from October 1, 1980 to October 1, 1992 and on October 1, 2008, subject to mandatory sinking fund requirements of scheduled amounts commencing in 1993 and to optional redemption after various dates at prices ranging from 100 to 103	33,185,000	34,165,000

	June 30,	
	1981	1980
1978 Series A, 5.05% to 8% interest, maturing in scheduled annual installments from October 1, 1980 to October 1, 1997, and on October 1, 2003 and October 1, 2009, subject to mandatory sinking fund requirements of scheduled amounts commencing in 1998 and to optional redemption after various dates at prices ranging from 100 to 103.....	13,005,000	\$13,320,000
Bonds outstanding	66,345,000	68,280,000
Unamortized bond premium	152,989	345,562
Bonds payable, net	<u>\$66,497,989</u>	<u>\$68,625,562</u>
Single Family II Mortgage Bonds:		
1979 Series A, 5.10% to 6.6% interest, maturing in scheduled annual installments from June 1, 1981 to June 1, 1997, and on June 1, 2000 and June 1, 2011, subject to mandatory sinking fund requirements of scheduled amounts commencing in 1998 and to optional redemption after various dates at prices ranging from 100 to 102½.....	\$99,120,000	\$100,000,00
1980 Series A, 7.70% to 9% interest, maturing in scheduled annual installments from June 1, 1982 to June 1, 2000, and on June 1, 2012, subject to mandatory sinking fund requirements of scheduled amounts commencing in 2001 and to optional redemption after various dates at prices ranging from 100 to 103.....	50,000,000	50,000,000
Bonds outstanding	149,120,000	150,000,000
Unamortized bond premium	283,375	369,661
Unamortized bond discount	(334,940)	(346,134)
Bonds payable, net.....	<u>\$149,068,435</u>	<u>\$150,023,527</u>

	June 30,	
	1981	1980
Multifamily Mortgage Bonds		
1978 Series A, 6½% interest, maturing August 1, 2019, subject to mandatory sinking fund requirements of scheduled amounts commencing in 1980 and to optional redemption after various dates at prices ranging from 103 to 105.....	\$4,845,000	\$4,865,000
1979 Series A, 5 4% to 6 875% interest, maturing in scheduled annual installments from August 1, 1980 to August 1, 1999 and on August 1, 2021, subject to mandatory sinking fund requirements of scheduled amounts commencing in 2000 and to optional redemption after various dates at prices ranging from 100 to 103	8,625,000	8,660,000
Bonds outstanding	13,470,000	13,525,000
Unamortized bond premium	84,748	86,963
Bonds payable, net	<u>\$13,554,748</u>	<u>\$13,611,963</u>

The income and assets of the three program funds listed above are pledged for the payment of principal and interest on the bonds issued and to be issued by the respective programs. Interest on all outstanding bonds is payable semiannually.

Scheduled amounts of bonds maturing in the five years subsequent to June 30, 1981 are as follows:

	Program Funds		
	Single Family I	Single Family II	Multifamily
1982	\$2,390,000	\$1,725,000	\$60,000
1983	2,540,000	1,875,000	60,000
1984	2,455,000	2,050,000	60,000
1985	2,550,000	6,295,000	60,000
1986	2,500,000	6,330,000	60,000

6. Construction Loan Notes:

	June 30,	
	1981	1980
First 1980 Series, 8.15% interest, maturing April 29, 1982, construction loan notes ..	<u>\$8,940,000</u>	<u>\$8,940,000</u>

The income and assets of this program fund are pledged for the payment of principal and interest on the notes issued by the program. Interest is payable semiannually.

7. Cash and Investments:

Generally, the Board's investments are restricted to U.S. Government and Agency obligations and interest bearing bank certificates, collateralized by the aforementioned U.S. obligations. At June 30, 1981 and 1980, cash and investments consisted of the following

	June 30, 1981 Amortized Cost					June 30, 1980 Amortized Cost				
	Due Within One Year	Beyond One Year But Within Five Years	Beyond Five Years	Total	Quoted Market Value	Due Within One Year	Beyond One Year But Within Five Years	Beyond Five Years	Total	Quoted Market Value
Single Family I Program ...	\$ 5,203,366	\$ 511,005	\$ 5,870,120	\$11,584,491	\$ 9,838,479	\$ 5,643,209	\$124,067	\$ 5,856,352	\$11,623,628	\$10,813,904
Single Family II Program ..	9,849,200		14,601,513	24,450,713	21,254,101	57,302,740		14,804,887	72,107,627	71,954,852
Multifamily Mortgage Program	2,279,954	495,420		2,775,374	2,775,374	3,551,770			3,551,770	3,551,770
Construction Loan Note Program	3,538,672			3,538,672	3,538,672	8,801,493			8,801,493	8,801,493
Combined Total	<u>\$20,871,192</u>	<u>\$1,006,425</u>	<u>\$20,471,633</u>	<u>\$42,349,250</u>	<u>\$37,406,626</u>	<u>\$75,299,212</u>	<u>\$124,067</u>	<u>\$20,661,239</u>	<u>\$96,084,518</u>	<u>\$95,122,019</u>

8. Retirement System:

The Board and its employees make contributions to the Montana Public Employees Retirement System (PERS). The Board's contributions were \$8,481 and \$6,720 for the years ended June 30, 1981 and 1980, respectively. While the Board is making all required contributions, PERS is administered by the State of Montana, the Board can make no statement regarding the financial status of PERS.

9. Commitments:

At June 30, 1981, the Board was committed to:

- Purchase single family mortgages aggregating approximately \$365,000 under the Single Family II Mortgage Program.
- Make additional construction advances of approximately \$585,000 under the Multifamily Mortgage Program.



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